



Scott-Moncrieff  
business advisers and accountants

# Edinburgh Integration Joint Board

Annual report on the 2016/17 audit  
to the Board and the Accounts Commission

September 2017

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# Summary

## Annual report and accounts

The Edinburgh Integration Joint Board approved the annual accounts for the year ended 31 March 2017 on 22 September 2017. We reported unqualified opinions on the financial statements and other prescribed matters.

## Wider Scope

### Financial management

- The IJB has adequate financial management arrangements in place. However, we consider there is scope to strengthen in-year financial reporting arrangements.
- Significant cost pressures needed to be managed across the partnership and one off contributions from NHS Lothian (£2.5m) and City of Edinburgh Council (£1.1m) were required to offset higher than planned spend.

### Financial sustainability

- Arrangements are in place for short term financial planning. However, medium or long-term financial plans have not yet been developed.
- There were challenges in the formal approval of the IJB budget, though improvements were noted in the 2017/18 financial planning process.
- Future financial plans should demonstrate strategic consideration of savings.
- An integrated workforce plan is not yet in place.

### Governance and transparency

- Appropriate overarching governance arrangements are in place.
- The IJB has set out its vision, values, priorities and plans.
- The IJB has shown a commitment to developing an effective risk management framework.
- Five principles have been agreed to the sharing of information between the scrutiny committees of the IJB and its partners.
- Internal audit provided a disclaimer opinion on the adequacy of the framework of governance, risk management and control during 2016/17.

### Value for money

- Arrangements to demonstrate value for money have developed during 2016/17 but further development is still required.
- More regular formal reporting on performance against the strategic plan is needed.
- The joint inspection of services for older people in Edinburgh identified a number of significant weaknesses.
- During 2016/17 Edinburgh regularly had the highest number of delayed discharges of any integration authority in Scotland.

### Key facts

- £676.164million funding received from partners.
- £486.291million spent on health services during 2016/17.
- £3.69million net income for the year.
- £189.596million expenditure on social care during the year.

## Conclusion

This report concludes our audit for 2016/17. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK and Ireland) and Ethical Standards.

**Scott-Moncrieff**  
**September 2017**

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# Introduction

# Introduction

## Overview

1. This report summarises the findings from our 2016/17 audit of the Edinburgh Integration Joint Board (“the IJB”).
2. We outlined the scope of our audit in the external audit plan, which we presented to the IJB’s Audit and Risk Committee in March 2017. The core elements of our audit work in 2016/17 have been:
  - an audit of the 2016/17 annual accounts;
  - a review of arrangements as they relate to the four dimensions of wider-scope public audit: governance and transparency, financial management, financial sustainability and value for money; and
  - any other work requested by Audit Scotland, for example, providing feedback on the local impact of national performance audits.
3. The IJB is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses and risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. This report contains an action plan with specific recommendations, responsible officers and dates for implementation. Management should assess these recommendations and consider their wider implications before deciding appropriate actions. We give each recommendation a grading to help the IJB assess their significance and prioritise the actions required.
5. We discussed and agreed the content of this report with the Interim Chief Financial Officer.

## Independence

6. We are required by International Standards on Auditing to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We can confirm that we have complied with the Financial Reporting Council’s Ethical Standard. In our professional judgement, the audit process has been independent and our objectivity has not been compromised. In particular, there have been no relationships between Scott-Moncrieff and IJB members or senior management that may reasonably be thought to bear on our objectivity and independence.

## Audit fee

8. The external audit fee agreed at the outset, and reported in our external audit plan, was £23,540. The fee has not changed during the audit process.

## Adding value through the audit

9. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the IJB through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the IJB promote improved standards of governance, better management and decision-making and more effective use of resources.
10. We welcome any comments you may have on the quality of our work and this report via: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX).
11. This report is addressed to both the IJB and the Accounts Commission and will be published on Audit Scotland’s website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

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# Annual accounts

# Annual accounts

## Introduction

12. The IJB's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources. We outline the respective responsibilities of the IJB and the auditor in relation to the financial statements in Appendix 2.
13. In this section, we summarise the issues arising from our audit of the 2016/17 annual report and accounts.

## Overall conclusion

### Unqualified audit opinions

14. The IJB approved the annual accounts for the year ended 31 March 2017 on 22 September 2017. We reported, within our independent auditor's report:
  - an unqualified opinion on the financial statements; and
  - unqualified opinions on other prescribed matters.

15. We are also satisfied there are no matters that we are required to report by exception.

### Administrative processes were in place

16. We received the unaudited annual accounts in line with our agreed audit timetable. However, a number of changes were required to the draft accounts through the audit. Our thanks go to the Interim Chief Financial Officer and supporting staff for their assistance.

## Our assessment of risks of material misstatement

17. The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. We designed our audit procedures relating to these matters in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. We outline three significant risks below, with one further significant risk reported under the financial sustainability section of this report.

## 1: Annual Accounts

The IJB was established as a body corporate by order of Scottish Ministers on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014. It is the responsibility of the Chief Financial Officer, as the appointed "proper officer", to prepare the annual accounts in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code). This means:

- maintaining proper accounting records
- preparing annual accounts which give a true and fair view of the state of affairs of the IJB as at 31 March 2017 and its expenditure and income for the period then ended.

The IJB's first set of annual accounts were prepared for the financial year 2015/16. However, the IJB did not assume formal responsibility for directing services until 1 April 2016. As a result, the 2016/17 financial statements are the first to reflect significant incoming and outgoing resources in respect of the IJB's responsibility for directing health and social care services in the region.

The IJB does not maintain its own ledger, instead relying on the financial records of the partner bodies to produce financial monitoring reports through the year and the annual accounts. Given the level of reliance placed by the IJB over the financial records held by the partner bodies it will be imperative that transactions and balances to be reported in the annual accounts are formally confirmed by all three parties on a timely basis.

The [Local Authority Accounts \(Scotland\) Regulations 2014](#) stipulate that unaudited accounts must be submitted to external audit no later than 30 June and be considered by the IJB (or a committee whose remit includes audit or governance functions) by 31 August. The regulations also require the IJB to aim to approve the audited accounts by 30 September. Scottish Government guidance indicates that the IJB is also expected to provide financial and non-financial information to the City of Edinburgh Council and NHS Lothian such that those bodies can also meet their statutory reporting obligations.

There is a risk that the IJB may not have the processes and procedures in place to produce a set of Code compliant annual accounts reflecting the significant incoming and outgoing resources involved in directing health and social care services in the region. The required deadlines may not be adhered to and the required financial and non-financial information may not be made formally agreed with the IJB's partners on a timely basis.



18. We reviewed the IJB's draft annual accounts to ensure they had been prepared in accordance with guidance on accounting for the integration of health and social care released by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and the Code.
19. A number of changes were required to the unaudited accounts to ensure they were in accordance with the published LASAAC guidance and the Code. We are happy to say all required adjustments were made and the approved annual accounts are compliant with the Code. Further information on the changes required can be found in the *Audit amendments* section below.
20. We also reviewed the IJB's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 10 as they relate to the annual accounts. Our findings are summarised below:

Aspect of the Regulations	Compliant
The Chief Financial Officer must ensure that the annual accounts give a true and fair view of the body's financial position and transactions.	Yes
The Chief Financial Officer must certify and submit the annual accounts to the appointed external auditor no later than 30 June.	Yes
The IJB must publish the unaudited annual accounts on the website of the authority until the date on which the audited annual accounts are published.	Yes
The IJB (or a committee whose remit includes audit or governance) must consider the unaudited annual accounts at a meeting by 31 August.	Yes
The IJB must give public notice of the right of interested persons to inspect and object to its accounts.	Yes
The IJB (or a committee whose remit includes audit or governance) must aim to approve the audited annual accounts for signature no later 30 September.	Yes



## 2: Revenue Recognition

Under International Standard on Auditing (ISA) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements, there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the IJB could adopt accounting policies or recognise income in a way that materially misstates financial performance.



21. All income recognised in the IJB's annual accounts relates to the agreed contributions from the City of Edinburgh Council and NHS Lothian. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

## 3: Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA 240.



22. We have not identified any indications of management override in the year. We have reviewed the IJB's accounting records and obtained evidence to ensure that all significant transactions were valid and accounted for correctly.

## Our application of materiality

23. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

24. Our initial assessment of materiality for the financial statements was £10million. Our assessment was set with reference to gross income and gross expenditure as we considered those to be the principal considerations for the users of the accounts.

25. We set a level of performance materiality for each area of work which was based on a risk assessment for the area. We have performed audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we performed a greater level of testing on the areas deemed to be of significant risk of material misstatement.

Area risk assessment	Weighting	Performance materiality
High	40%	£4million
Medium	50%	£5million
Low	70%	£7million

26. We agreed to report any misstatements identified through our audit that fall into one of the following categories:

- All material corrected misstatements.
- Uncorrected misstatements over £200,000.
- Misstatements below £20,000 that we believe warrant reporting on qualitative grounds.

27. We consider our assessment of materiality at the planning stage to have remained appropriate throughout our audit.

## Audit amendments

28. Substantial changes were required to the unaudited accounts to ensure they were in accordance with the Code and LASAAC guidance. The following adjustments were made to the draft annual accounts through the audit process:
- The disclosure of performance information within the management commentary.
  - The restatement of pension contributions by the IJB in relation to the Chief Officer
  - The restatement of the Chief Officer's remuneration.
  - Amendments to the Governance Statement to reflect the disclaimer opinion provided by internal audit for 2016/17.
  - The disclosure of the Movement in Reserves Statement as a primary statement.
  - The reclassification of partner funding contributions from service income to "Taxation and non-specific grant income" in line with the Code and LASAAC guidance.
  - Various other minor presentational changes.

## IJB representations

29. As is standard practice, we have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the annual accounts.

## An overview of the scope of our audit

30. We detailed the scope of our audit in our external audit plan. Our plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the IJB. This ensures that our audit focuses on the areas of highest risk.
31. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
32. At the planning stage we identified the significant risks that had the greatest effect on our audit. We then designed audit procedures to mitigate these risks. We base our standard audit approach on performing a review of the key accounting systems in place, substantive tests and detailed analytical review.
33. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit manager and audit partner. In performing our work, we have applied the concept of materiality.
34. No additional significant risks, over and above those reported in our external audit plan, were identified during our work in 2016/17.

## Qualitative aspects of accounting practices and financial reporting

35. We have considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our findings are summarised below:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the annual accounts, and we consider these appropriate to the IJB.
The timing of the transactions and the period in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts.
The potential effect on the financial statements of any uncertainties, including significant risks and related disclosures that are required.	We did not identify any uncertainties, including any significant risk or required disclosures that should be included in the annual accounts.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From our testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the annual report and accounts or material inconsistencies with the financial statements.	There are no misstatement or material inconsistencies with the annual accounts in the Management Commentary.
Any significant financial statements disclosures to bring to your attention.	There is no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statements disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no difficulties encountered in the audit. However, a number of changes were required to the unaudited accounts to ensure they were in accordance with the Code and LASAAC guidance.

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# Financial Management

# Financial Management

36. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment is operating effectively. The IJB is responsible for ensuring it conducts its financial affairs in a proper manner.

## Overall conclusion

37. The IJB has adequate financial management arrangements in place and reported a £3.69million surplus in 2016/17. Arrangements have continued to develop during 2016/17, however, we consider there to be scope to strengthen financial reporting arrangements.

## Financial performance in 2016/17

### The IJB reported a small surplus for the year

38. The integration scheme outlines the process for addressing variances in the spending of the IJB. This includes:

- Treatment of forecast over- and under-spends against the Operational Budget.
- Additional payments by the partners to the IJB.
- Underspends.
- Treatment of variations against the amounts set aside for use by the IJB.

39. The IJB reported a surplus of £3.69million (0.5% of income) for the year. The balance carried forward reflects the year-end position on resource transfers in relation to the social care fund (in total, £20.2million was recognised from the social care fund in 2016/17).

40. The IJB reports that the £3.69million year-end reserves balance will support strategic plan investments during 2017/18. The carry forward of these funds is in accordance with the integration scheme and was approved in principle by the IJB in November 2016.

### There were significant budget pressures in 2016/17

41. Notwithstanding the year-end position in relation to social care funding, the IJB considers that it has achieved a balanced position for 2016/17. The IJB achieved this against a background of significant cost pressures.

42. The IJB undertook a financial assurance process on the proposed funding contributions for 2016/17. This process identified baseline pressures of £5.8million in the delegated health budget, in effect reflecting required but unidentified savings. Contributions from the City of Edinburgh Council incorporated the need to deliver £15million savings in order to achieve a balanced plan.

Financial performance in 2016/17	Budget £m	Outturn £m	Variance £m
Health services	483.832	486.293	(2.461)
Council services	188.456	189.596	(1.140)
<b>Gross position</b>	<b>672.288</b>	<b>675.889</b>	<b>(3.601)</b>
Non recurring health contributions	-	(2.461)	2.461
Non recurring council contributions	-	(1.140)	1.140
Balance on the social care fund	-	(3.69)	3.69
<b>Reported outturn</b>	<b>-</b>	<b>(3.69)</b>	<b>3.69</b>

43. The table above shows that in spite of the pressures identified the IJB was able to meet a balanced position against budgets. However, that was only due to non-recurring contributions from both partners.
44. The IJB worked in partnership with the City of Edinburgh Council and NHS Lothian during 2016/17 to identify measures to mitigate the funding shortfall reflected at the outset. By the year-end, there was a remaining shortfall of £2.5million on the health budget and a negative position of £1.1million on the social care budget. These shortfalls were met by non-recurring additional contributions from each party, in line with the integration scheme principles.

## Financial reporting

### Regular financial reporting takes place

45. The City of Edinburgh Council and NHS Lothian are responsible for the operational management of their allocated budgets, in line with the integration scheme. Both parties provide information to enable the IJB to prepare a financial update report that is presented to the full IJB Board at each bi-monthly meeting.
46. The financial update report clearly sets out the year to date budget, actual and variance as well as the year-end forecast variance. Supporting narrative is provided to highlight the expected year-end position. The report covers performance within health budgets, social care budgets and the IJB as a whole.

### The form and content of financial reporting should continue to develop

47. The content of the IJB's financial reporting has developed during 2016/17 and continues to develop. To date, we consider the reports have not clearly explained in-year adjustments to forecasts, the cause of these and the responsive action planned to manage the year-end position. We noted examples within 2016/17 reporting where budget lines showed an underspend for the year to date, but forecast an overspend at year-end with no narrative explanation or context provided.

48. It is important that financial update reports include sufficient detail and narrative to support effective scrutiny and financial management. There is a risk that the current form of reporting does not fully reflect the actions undertaken or required in order to achieve the forecast outturn.
49. We consider that the IJB should look to continue to develop financial reporting in order to ensuring that the Board can easily identify areas of poor performance and fully understand any remedial actions undertaken or required.

### *Management action plan 1*

## Internal controls

50. We sought and obtained assurances from the external auditor of the City of Edinburgh Council and NHS Lothian regarding the systems of internal control used to produce the transactions and balances recorded in the IJB's annual accounts.
51. We reviewed the approved standing financial instructions and standing orders and consider them adequate for the IJB's purposes.
52. The IJB has adequate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any material weaknesses in the accounting and internal control systems during our audit.
53. The IJB does not hold assets, directly incur expenditure or legally employ staff. All financial transactions of the IJB are processed through the financial systems of the council and health board. All transactions are subject to the controls and scrutiny of the respective partners, including the work performed by internal audit.

## Fraud and irregularity

54. The IJB does not directly employ staff and so places reliance on the arrangements in place within the City of Edinburgh Council and NHS Lothian for the prevention and detection of fraud and irregularities. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by the partner bodies. Overall, we found the arrangements to be sufficient and appropriate.

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# Financial sustainability

# Financial Sustainability

55. Financial sustainability looks forward to the medium and longer term to consider whether the IJB is planning effectively to support the continued delivery of its services and is doing so in the most efficient way.

## Significant audit risk

56. As outlined in our audit plan, we considered there to be a significant risk to the wider scope of our audit in relation to financial sustainability:

### Financial sustainability

The IJB recognises that it faces a significant financial challenge to deliver better outcomes for its service users in a climate of increasing demographic pressures and limited resources. The IJB is preparing a budget for 2017/18 predicated on the budget proposals being prepared by the City of Edinburgh Council and NHS Lothian. The budget setting process relies on the frameworks in place at the partner bodies, which are not currently aligned, as a result there is a risk that the IJB may not be able to formally agree the 2017/18 budget before the beginning of the financial year. Additionally, the IJB has not yet developed a medium to long term financial strategy or plan that demonstrates the sustainability of the directed services outlined within the Strategic Plan.

### Overall Conclusion

57. The IJB has arrangements in place for short term financial planning. However, it has not yet developed medium or long-term financial plans. The IJB, in common with other IJB's, has faced a particular challenge in developing robust medium-term financial plans as the financial planning cycles of all partner bodies have not historically aligned. Additionally, in recent times the partner bodies have only received single-year financial settlements.

### Financial planning

58. The Strategic Plan for Health and Social Care in Edinburgh 2016-19 (the strategic plan) was approved by the IJB in March 2016 and sets out the IJB's priorities and vision to 2019. The strategic plan is supported by an annual financial plan which sets out the level of resources delegated by its partners and the resulting IJB budget.

### Approval process for the 2016/17 IJB budget

March 2016	Strategic Plan for Health and Social Care in Edinburgh 2016-19 approved by the IJB.
	The City of Edinburgh Council and NHS Lothian make interim or draft offers to the IJB for 2016/17. Financial assurance is undertaken in parallel. However, the IJB receives neither a formal offer from either party nor all the necessary information to complete the due diligence process.
July 2016	The IJB reports it cannot accept the 2016/17 offers at this point.
	An updated financial settlement formally proposed by NHS Lothian. However, the overall health board budget is out of balance by £20m, the IJB's share of which is £5.8m.  Due diligence has highlighted a potential risk of between £0.5m and £1m in the offer from the City of Edinburgh Council. The council has established a provision to address any in year impact. This aside, the conditions attached to the social care fund remain the only material outstanding issue.
Sept 2016	Agreement remains outstanding on 2016/17 financial settlements from NHS Lothian and the City of Edinburgh Council.
	The forecast year end position for the IJB shows an overspend of £9.4m. The 2 key drivers being: the share of the health board's total budget gap (£5.8m); and projected slippage in delivery of council savings (£3.5m).



Nov  
2016

Delegated 2016/17 budget proposed by the City of Edinburgh Council is accepted.

Decision taken by the IJB to present a proposal to NHS Lothian on the distribution of additional non-recurring resources, following which an updated 2016/17 offer is expected.

It is reported that the health board will underwrite the projected overspend in the health element of the IJB's budgets on the basis that health board can break-even in 2016/17.

#### Significant challenge to approve the 2016/17 budget

59. In recent years there have been significant challenges in the formal approval of the IJB budget as the budget cycles of the IJB and its partners have not aligned, as shown above

#### Improvements noted in the 2017/18 budget process

60. In November 2016, the IJB approved interim arrangements for financial planning for 2017/18. The papers presented to the IJB since indicate that this resulted in a more streamlined financial planning process.
61. The City of Edinburgh Council approved its 2017/18 budget in February 2017. NHS Lothian did not formally approve its 2017/18 budget until April 2017. As a result, the IJB approved the 2017/18 financial plan in March 2017 based on indicative proposals from the health board.

62. The 2017/18 IJB budget was principally prepared on an incremental basis, taking cognisance of known cost pressures. Any shortfalls identified resulted in recovery actions and savings plans being identified.
63. The IJB continued to implement their strategic objectives based on the indicative funding level, with only limited movements required following the formal approval of the NHS Lothian budget. The absence of a confirmed budget at the start of 2017/18 resulted in some uncertainty. This uncertainty was managed appropriately, demonstrating an effective working relationship between the IJB and its partners.
64. As part of the financial planning process, the IJB completed a detailed assessment of whether budget proposals from partners represent a fair share of the resources available to them. The IJB deemed the 2017/18 budget proposals from the City of Edinburgh Council and NHS Lothian to be appropriate and fair:

2017/18 IJB Budget	Recurring £m	Non-recurring £m	Total £m
Partner funding	611.681	3.282	614.963
Projected expenditure	632.614	2.844	635.458
<b>Variance</b>	<b>(20.933)</b>	<b>438</b>	<b>(20.495)</b>
Recovery actions identified to date	14.420	-	14.420
<b>Balance to be identified (health services)</b>	<b>(6.513)</b>	<b>438</b>	<b>(6.075)</b>

### £14.42million of recovery actions have been identified to support a balanced position in 2017/18

65. As at March 2017, recovery actions to a value of £14.42million had been identified across a range of health and social care areas. The remaining outstanding balance (£6.075million) reflects the IJB's share of the £31million financial plan gap projected by NHS Lothian. The health board has committed to working with the IJB to identify opportunities to bridge this gap.
66. The IJB's achievement of a breakeven position in 2017/18 is wholly dependent on its ability to work effectively with the council and health board to deliver the required savings. An overview of the recovery actions identified is included in the 2017/18 financial plan, however little supporting detail is provided. While responsibility for the actual delivery of the planned savings will fall to the IJB's partners, it is imperative that the IJB can demonstrate it has taken a strategic approach to the identification of appropriate savings options.
67. In order to demonstrate a strategic approach has been adopted to potential areas for savings across the partnership, the IJB should ensure that future financial plans demonstrate sufficient consideration of the identification of potential savings options, including the financial and operational impact they are expected to have in the short, medium and long term. Discussions remain ongoing with NHS Lothian around how the current funding gap of £6.5million will be bridged and there remains a risk that planned efficiencies are not delivered.

#### *Management action plan 2*

### Further improvement in financial planning expected

68. The IJB expects that further improvements in the financial planning process will result from the 2018/19 process being led by the IJB for the first time.

### Medium term financial planning

69. The IJB recognises that the strategic plan and should inform decisions around the prioritisation of resources, new models of service delivery and disinvestment decisions, all of which it expects to be necessary in the medium term. Taking account of this and the continued challenge faced from resource pressures, the IJB requested in March 2017 that partners work with the Chief Officer and Interim Chief Finance Officer to prepare a financial plan for IJB delegated functions over a minimum three-year period.
70. The requirement to carry out medium term financial planning is also reflected within the integration scheme. However, medium or long-term financial plans have not yet been developed.
71. Without a medium term financial plan in place, the IJB cannot currently demonstrate how it will deliver the key priorities identified in their three-year strategic plan within the financial resources that will be available. The IJB should prioritise developing a medium term financial strategy that includes a clear understanding of costs, saving options and expected demand pressures.

#### *Management action plan 3*

### Workforce planning

72. The City of Edinburgh Council and NHS Lothian each have their own workforce strategies in place. However, the integration scheme requires the IJB to develop an integrated workforce plan for the city.
73. The IJB has not yet developed an integrated workforce plan, and as a result is not meeting the requirements of the integration scheme. Without a documented plan in place the IJB cannot demonstrate that a strategic overview is being taken over the risks the city faces in relation to workforce supply and demand challenges, communication, staff engagement and training needs to support the implementation of the strategic plan.

#### *Management action plan 4*

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# Governance & transparency

# Governance & transparency

74. Governance and transparency is concerned with the adequacy of governance, leadership and decision-making, and transparent reporting of financial and performance information. The IJB is responsible for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements

## Overall conclusion

75. The IJB has only been responsible for delivering its functions for one year and the governance framework has continued to develop over that time. We consider the IJB's overarching governance arrangements to be appropriate.

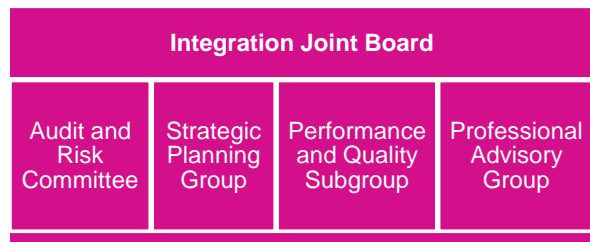
## Governance structure

76. The integration scheme between the City of Edinburgh Council and NHS Lothian sets out the key governance arrangements to be put in place by the IJB. In line with the integration scheme, standing orders were approved in July 2015 at the first formal meeting of the IJB.

77. The IJB has been responsible for delivering its health and social care functions in Edinburgh since 1 April 2016. In March 2016 the IJB formally adopted financial regulations. The regulations outline financial roles and governance for the IJB, the framework for financial administration, the IJB's financial responsibilities and delegated authorities.

78. The composition of the IJB is set out in the integration scheme. The Board comprises ten voting members: five non-executive directors from NHS Lothian and five Councillors from the City of Edinburgh Council. Additional non-voting members representing a range of service users and stakeholders were also appointed to meet the statutory requirements set out in the integration scheme and to provide more varied knowledge and experience to the Board.

79. To support its work the board has appointed four sub-groups:



80. Each sub group has a remit and membership approved by the IJB. As part of the developing governance arrangements in 2016/17, each sub group reviewed their format, focus and effectiveness within 2016/17. Improvements were clearly documented within minutes, reported to the Board and are due to be implemented in 2017/18.

## The IJB meets in public

81. IJB meetings are held in public with publication of papers, location and timing in advance through the City of Edinburgh Council's website. Minutes of sub-group meetings are published as part of the IJB papers

## Board membership

82. The integration scheme sets out the agreed arrangements for appointing the IJB Chair and Vice Chair. The right to appoint the Chair and Vice Chair alternates between the City of Edinburgh Council and NHS Lothian. When one partner has the authority to appoint the Chair, the other has authority to appoint the Vice-Chair. The term of office for each appointment is two years. NHS Lothian appointed the IJB's first Chair in May 2015.

83. Due to changes in the membership of the City of Edinburgh Council (through the May 2017 local authority elections) and NHS Lothian (through the standard Scottish Government board appointments process), the membership of the IJB changed both during 2016/17 and after the year-end.

84. Two NHS Lothian appointees left the IJB during the year, including the IJB Chair. Further nominees from the health board directly replaced them. In May 2017, at the end of the local government term, all five local authority representatives automatically resigned from the IJB. One member was subsequently reappointed (now IJB Chair) and four new members were appointed to represent the City of Edinburgh Council.
85. In line with the integration scheme provisions, the Chair of the IJB was due to rotate to a local authority representative in May 2017. In practice, the new Chair was appointed in June 2017, following the local authority elections. The role of Vice Chair rotated to a health board representative at that time.
86. Such changes will be relatively commonplace for the IJB due to the nature of the partnership and the provisions of the integration scheme and will bring an additional layer of challenge to ensuring effective governance on an on-going basis.
90. More latterly, the focus of the IJB has been on ensuring that risk management is embedded comprehensively and consistently throughout the integrated service, and informs the risk management systems of all partners.
91. In February 2017, the IJB management team met to develop the IJB's risk register further with support from external advisers. At that time, it was agreed to capture the risks, responsibilities and ownerships from across the partnership in one document, rather than hold separate registers within each partner.
92. All of the partnership's key risks were reviewed with some amendments and additions made in order to generate a consolidated list. To help identify and clarify responsibilities, the register records where responsibilities sit within the partnership for each risk across four aspects:
- primary planning;
  - secondary planning;
  - primary delivery; and
  - secondary delivery.

## Purpose and vision

87. The IJB's vision, values, priorities and plans are set out in the strategic plan. The plan shows what success would look like for the IJB and sets out the IJB's priorities for the next three years and takes in to account the priorities outlined in the Scottish Government's 2020 Vision for Health and Social Care and the strategic priorities of the Edinburgh Community Planning Partnership.
88. The strategic plan sets out a range of actions the partnership will take in the coming years and seeks to provide a basis for measuring how well they are doing and whether the IJB's priorities and national outcomes are achieved. The plan, while set for a three-year period, is reviewed annually with the most recent review in March 2017.
93. The resulting risk register, reported to the Audit and Risk Committee in June 2017, documented 49 risks across the IJB, the City of Edinburgh Council, NHS Lothian and the Edinburgh Health and Social Care Partnership. Each risk has an attributed risk owner and the register provides an outline of mitigating actions in place.
94. The register identifies 18 risks for which primary planning responsibility lies with the IJB. Of those 18 risks, six are assessed as having high inherent risk.
95. The Audit and Risk Sub-Committee provide oversight of the six high risks, with the remaining 12 risks being monitored by the executive Quality Improvement Clinical Governance and Risk Management Group, chaired by the Chief Strategy and Performance Officer.

## Risk Management

89. The integration scheme required the IJB to establish a shared risk management strategy with its partners within the first year. Since its first meeting in July 2015, the IJB has shown a commitment to developing an effective risk management framework.
96. The IJB recognises that further and ongoing development of the framework will be required. The Chief Strategy and Performance Officer and the Interim Chief Finance Officer have been delegated the responsibility for:

- ensuring all relevant risks are captured;
- refining the register; and
- embedding ongoing review, scrutiny and updates.

## Internal Audit

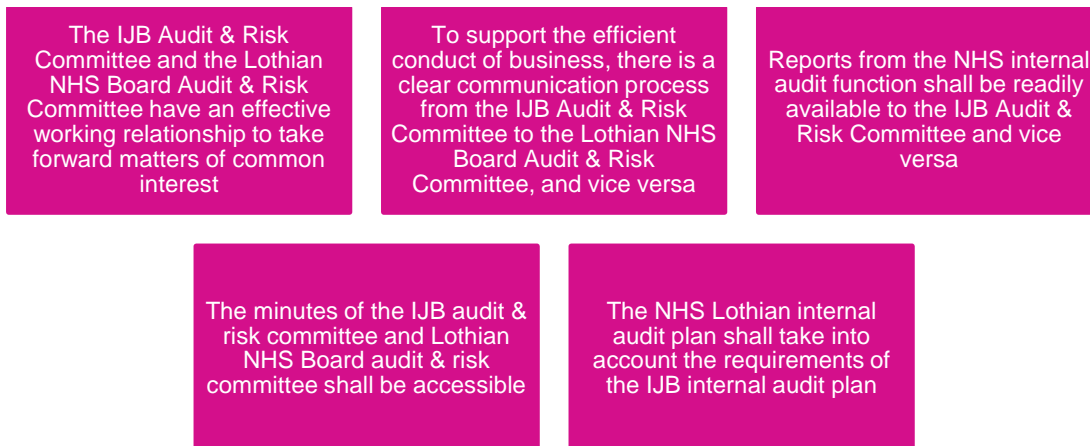
- 97.** The City of Edinburgh Council internal audit team provides the IJB's internal audit service and the Chief Auditor of City of Edinburgh Council has been appointed as Chief Internal Auditor for the IJB.
- 98.** To avoid duplication of effort and to ensure an efficient audit process we have taken cognisance of the work of internal audit throughout our audit. While we have not placed formal reliance on the work of internal audit in 2016/17 for our financial statements audit, we have taken account of internal audit's work in respect of our wider scope responsibilities. We are grateful to the internal audit team for their assistance during the course of our work.

- 99.** The appointed external auditor to the City of Edinburgh Council has reviewed the service provided council's internal audit team. For 2016/17, the appointed auditor found the internal audit service complied with Public Sector Internal Audit Standards.

### Principle based approach to the internal audit across the partnership

- 100.** The IJB recognised early in the process of setting up the Audit and Risk Committee that it would be beneficial to share of information between the scrutiny committees of the IJB, NHS Lothian and the City of Edinburgh Council.
- 101.** NHS Lothian took the lead in preparing a set of principles to govern the relationships between the three scrutiny committees (as well as those of the other regional partnership to which the health board is party). Representatives of the IJB provided input to the drafting process.
- 102.** In June 2017, the five key principles were presented to the audit and risk committee:

### Five key principles for sharing information between the partnership's scrutiny committees



- 103.** The NHS Lothian Audit & Risk committee approved the principles in April 2017. The IJB proposes that these same principles will govern the relationship with the City of Edinburgh Council's Governance, Risk and Best Value Committee, subject to that committee's approval.

### Internal audit plan and resource

- 104.** The internal audit plan for 2016/17 was approved in principle by the Audit and Risk Committee in June 2016. The plan identified eight high and six medium auditable risks upon which assurance could be sought.



- 105.** The Audit and Risk Committee, and internal audit, considered that assurance should be gained on all high-risk areas on an annual basis, with medium risk areas covered on a rolling 3-year basis. At the time of the plan's approval, the Audit and Risk Committee noted the expected level of internal audit resource would not allow the IJB to gain any assurance over the medium risks identified in the audit plan and requested that officers explore the possible options for obtaining additional Internal audit resource.
- 106.** Following an internal audit update in November 2016 the Chair of the Audit and Risk Committee wrote to the IJB Chief Officer to highlight the committee's concerns with regard to the internal audit resource available. As of June 2017, a formal response from the Chief Officer was outstanding.

#### Disclaimer internal audit opinion

- 107.** Given the resource concerns noted above, and the findings in the year, internal audit were unable to complete sufficient reviews and gain sufficient evidence to be able to conclude on the adequacy of the framework of Governance, Risk Management and Control. As a result, internal audit provided a "disclaimer opinion":

*"As a consequence of the limited of assurance obtained ... we consider that we have been unable to gather sufficient evidence to conclude on the adequacy of the framework of Governance, Risk Management and Control of the EIJB and issue a final 'Disclaimer' opinion"*

*"The internal audit work performed during the year has identified significant weaknesses in the framework of governance, risk management and controls surrounding the EIJB management information & integration processes, and in the delivery of social care within the City. There were also instances during the year of non-compliance with existing controls. If not addressed, these weaknesses and instances of non-compliance will put the achievement of organisational objectives at risk."*

## The governance statement

- 108.** The governance statement discloses internal audit's disclaimer opinion and other areas of weakness during the year, such as the significant challenges the partnership faces from the level of delayed discharges and the areas of concern raised by the joint inspection of services for older people. Subject to the concerns disclosed, the IJB considered that reasonable assurance could be placed on the effectiveness and adequacy of the systems of governance.
- 109.** We are satisfied that the governance statement within the annual accounts is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016.

## Standards of conduct

- 110.** In our opinion, the IJB's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are adequate.
- 111.** The IJB implemented a code of conduct based on the template code provided by Scottish Government and the codes in place at the partner organisations. In line with the integration scheme, the IJB utilises the financial governance arrangements in place within the partner bodies including fraud management arrangements.

6

# Value for money



# Value for money

112. Value for money is concerned with using resources effectively and continually improving services. IJBs need to establish effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account.

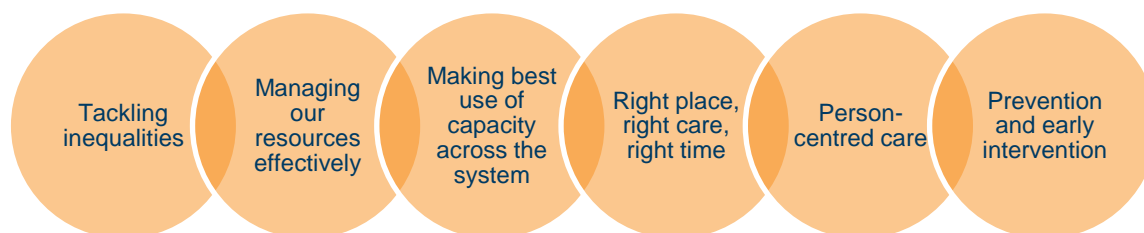
## Overall conclusion

113. Arrangements to demonstrate value for money have continued to develop during 2016/17, the first 'live' year for the IJB. Further development in this area is still required and the IJB faces significant challenges from delayed discharges and the weaknesses identified in the inspection of services for older people in Edinburgh.

## Strategic planning

114. The IJB approved the Edinburgh Health and Social Care Strategic Plan 2016-19 in March 2016. The strategic plan identifies six key priorities, 12 areas of focus and a 44-point action plan. The strategic plan also sets out a range of national and local indicators that the IJB will monitor performance against. National indicators were prescribed by the Scottish Government and local indicators were selected from the suites of measures collected by the City of Edinburgh Council and NHS Lothian.

## Key priorities set out in the Edinburgh Health and Social Care Strategic Plan 2016-19



## Directions

115. The IJB has an obligation to issue directions to the City of Edinburgh Council and NHS Lothian in respect of each delegated function. Directions are the means by which the IJB ensures the partner bodies implement the priorities set out in the strategic plan. In line with legislation, the first directions were issued in March 2016.
116. Directions can be issued at any time and once issued have no expiry date. Scottish Government guidance states that directions should set out:
- a clear framework for the operational delivery of the delegated functions;
  - which delegated function each direction relates to;
  - detailed information on the financial resources available for carrying out the functions that are the subject of the directions.
117. The IJB recognises that the first set of directions were relatively high level. It reported those directions were intended to notify the City of Edinburgh Council and NHS Lothian the areas where the IJB wanted to see change and to instruct the two organisations to support the IJB Chief Officer to develop more detailed plans in those areas.
118. The Edinburgh IJB delayed issuing new directions during 2016/17 to allow any recommendations from the joint inspection of services for older people in Edinburgh to be considered (see further discussion on the inspection below). In August 2017 a new set of 21 directions were set out, focusing on the four areas shown below.

#### Four areas of focus within the 2017/18 Directions

Embedding locality model so that the provision of assessment, treatment and support in the community is the default position, reducing hospital admissions, supporting timely discharge and promoting independence.

Responding to national and local requirements such as the Health and Social Care Delivery Plan, new legislation and the recommendations from the Joint Inspection of Services for Older People.

Shifting the balance of care by increasing the range and capacity of community based services.

Enabling transformation through improved use of ICT, developing the workforce and developing a three-year sustainable financial strategy.

**119.** The IJB reports that a detailed delivery plan, developed in partnership with the City of Edinburgh Council and NHS Lothian, will support each direction. Progress monitoring is planned to take place through the IJB's Strategic Planning Group and be reported to the full IJB.

- the governance processes in place were not sufficiently mature to support the vision of seamlessly supporting the sharing of data between the IJB and its partners; and
- Existing data management procedures lack robustness.

**120.** Internal audit reviewed a sample of the directions issued by the IJB in March 2016, to ensure conformed with:

- legislative requirements;
- good practice, as advised by the Scottish Government; and
- the IJB's strategic plan.

Internal audit also considered the arrangements in place to manage and report on progress to ensure that the requirements of the directions are applied in practice.

**123.** A management action plan has been put in place in response to the two high and two medium risk recommendations raised in the report.

#### Performance management

**121.** Internal audit identified one high-risk finding: The Directions for 2016-17 and 2017-18 contained limited SMART objectives, few of the directions state timescales for implementation and the majority of objectives do not state related KPIs. In response, management has agreed to ensure that the related delivery plans include SMART performance measures and that the performance measures relating to each direction are updated.

**124.** Per the integration scheme, the IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan.

**125.** Performance management arrangements have developed over the course of 2016/17, principally based around the proposed indicator set described in strategic plan 2016-19.

**126.** While the IJB has set out the range of national and local indicators within the strategic plan, it is not clear how each measure relates to the plan's six key priorities. Because of this, it may be difficult for the IJB to demonstrate how successful it has been in delivering progress against the plan. It is a statutory requirement for the IJB to report against both the national outcomes and its own strategic priorities. To enable that to take place the IJB should ensure that sufficient performance measures are clearly attributed to each strategic priority.

#### Data Integration & Sharing

**122.** During 2016/17 internal audit reviewed the IJB's approach and plans for integration of the City of Edinburgh Council's systems with NHS Lothian's and the current security provisions in place relating to day-to-day data integration & sharing activities. Internal audit found that:

#### Management action plan 5

## Performance and Quality Subgroup

127. The IJB's Performance and Quality Subgroup met for the first time in April 2016, following workshops held in February 2016 to develop the group's role, remit and membership. The group's remit includes the delegated responsibilities to:
- provide assurance to the Integration Joint Board that the whole system is operating effectively to deliver the strategic plan;
  - assess the impact and effectiveness of the strategic plan; and
  - assess performance and quality from a strategic perspective.
128. Since its inception, the subgroup has progressed with developing the IJB's performance framework. The subgroup chose to adopt a "rubrics approach", where levels of performance are assessed against clear criteria and standards (e.g. excellent, acceptable or poor).
129. The rubrics approach was selected as the subgroup considered it best addressed what it saw as the limitations of earlier approaches to performance, which lacked effectiveness and impact, relying heavily on scorecards with little perceived relevance to current pressures and priorities and failing to generate effective action. So far, the approach has been trialled for five of the 44 strategic objectives.

## In-year reporting on performance

130. The Performance and Quality Subgroup met a number of times during 2016/17 reporting to the IJB on the progress being made in the development of the performance management framework. While it is inevitable that the performance management framework will continue to develop in these early stages of the IJB, there has been limited reporting to the Board on actual performance against the strategic plan to date.
131. Internal audit assessed the design and operating effectiveness of the IJB's controls relating to management information during 2016/17.

132. In March 2017, internal audit reported one high-risk recommendation recognising that while the performance management framework is being developed regular performance reporting to the IJB and its subgroups has been limited to financial updates and statutory delayed discharge reporting.
133. We consider that more regular formal reporting to the Board on performance against the strategic plan will be required to enable the IJB to fulfil its role as strategic planning body. While performance may be assessed and scrutinised in detail by the Performance and Quality Subgroup, we would expect reports to be presented to the IJB at regular intervals through the year. Such reports should enable the IJB to effectively address areas of poor performance in a timely manner.

## Management action plan 5

### Delayed discharges

134. While there has been limited reporting on the general performance against the strategic plan during 2016/17, the IJB has received regular reporting in relation to delayed discharges.
135. The IJB recognised during 2016/17 that the levels of delayed discharges in the city present a particular risk to the partnership in providing the right care at the right time. To reflect the importance and urgency of the need to reduce the number and length of delayed discharges the IJB received regular updates on performance in this area.
136. In January 2016, The IJB reported 122 delayed discharges. In response to the challenges faced in the area, a 'flow workshop' was held in March 2016. The workshop identified a range of work streams to address the issue, targeted at key pressure points across the care system. Each work stream has been led jointly by a senior officer from both the Health and Social Care Partnership and the acute hospital sites. The work streams were overseen by a Patient Flow Programme Board and covered:
- admission avoidance;
  - rehabilitation and recovery;
  - supporting discharge; and
  - mental health.

137. Between January 2016 and April 2016, the rate of delayed discharge fell to 67. However thereafter it increased month on month, reaching 215 in January 2017. A change in national reporting methods in July 2016 meant that direct comparisons were not possible between figures before and after that time. However, over that time Edinburgh regularly had the highest number of delayed discharges of any integration authority in Scotland.
138. By May 2017 delayed discharges had fallen to 168. The IJB reports that detailed performance reports are now available on a locality basis, which has allowed performance targets to be set and monitored more locally. A 'star chamber' now meets weekly where locality and hub managers are held to account for performance and any issues having a negative impact can be escalated immediately.
139. The IJB continues to recognise the importance and urgency of the need to reduce the number and length of delayed discharges and continues to receive regular updates on performance against whole system delays.

#### Annual performance reporting

140. All IJBs are required to produce an annual performance report that appraises achievement against both the nine National Health and Wellbeing Outcomes and the key priorities identified within their strategic plan. The IJB has produced an annual performance report covering:

- Delivery of the nine National Health and Wellbeing Outcomes and related key priorities of the Integration Joint board;
- Finance and best value
- Moving to a locality based model of planning and delivering services
- Inspection of services
- A review of the EIJB strategic commissioning plan.

141. The 2016/17 annual performance report focuses on the nine national outcomes and utilises the national and local indicators to attempt to demonstrate progress to date. The report gives narrative on the national indicators attributed to each national outcome, as well as the related local indicators that the IJB has chosen to monitor.

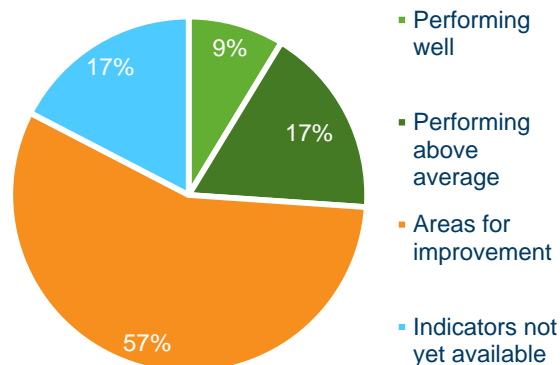
142. The performance report compares the IJB's performance against the national Indicators to the Scottish average and that of the IJB's peer group. Performance on local indicators is reported without reference to benchmarks. While the performance against indicators is reported, success has not been defined for any of the national or local measures. As a result, it is not clear how the performance information should be interpreted.

143. As part of the development of the performance management framework, and in line with the work being undertaken by the Performance and Quality Subgroup, the IJB should ensure it adequately defines and communicates what it considers would be good performance against each performance measure.

#### Management action plan 5

144. Although it is not outwardly clear how the reported performance information should be interpreted, the IJB has set out within the annual performance report the national indicators it considers to be performing well against and those requiring improvement, as shown below:

**IJB assessed performance against the 23 national indicators**



## Inspection of services

145. The annual performance report also includes commentary on the joint inspection of services for older people in Edinburgh carried out by the Care Inspectorate and Health Improvement Scotland between August and December 2016.
146. The inspection was focused around the nine quality indicators and identified a number of areas of weakness, as shown below. Seventeen specific recommendations for improvement were raised. All have been accepted by the IJB.
147. The partnership viewed the inspection as a helpful process that confirmed the need to continue to drive forward improvements identified by the IJB itself since its inception.
148. The IJB has published a detailed improvement plan in response to the recommendations raised by the joint inspection. Progress against the plan is monitored by an Improvement Board and the IJB's Performance and Quality Sub-Group oversees delivery of the improvement plan on behalf of the IJB.

### Findings from the joint inspection of services for older people in Edinburgh

Quality indicator	Evaluation	Evaluation criteria
Key Performance Outcomes	Weak	<p><b>Excellent</b> – outstanding, sector leading</p> <p><b>Very good</b> – major strengths</p> <p><b>Good</b> – important strengths with some areas for improvement</p> <p><b>Adequate</b> – strengths just outweigh weaknesses</p> <p><b>Weak</b> – important weaknesses</p> <p><b>Unsatisfactory</b> – major weaknesses</p>
Getting Help at the Right Time	Weak	
Impact on Staff	Adequate	
Impact on the community	Adequate	
Delivery of key processes	Unsatisfactory	
Strategic planning and plans to improve services	Weak	
Management and support of staff	Adequate	
Partnership working	Adequate	
Leadership and direction	Weak	

# 7

## Appendices

# Appendix 1: Management action plan

Our action plan details the control weaknesses and opportunities for improvement that we have identified during our audit. The action plan details the officer responsible for implementing the recommendation and an implementation date. The IJB should assess the recommendation for wider implications before approving the action plan.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work and may not be all that exist. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvement in management arrangements. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Action plan grading structure

To assist the IJB in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. The rating structure is summarised as follows:

<b>Grade 5</b>	Very high risk exposure – major concerns requiring Board attention
<b>Grade 4</b>	High risk exposure – material observations requiring senior management attention
<b>Grade 3</b>	Moderate risk exposure – significant observations requiring management attention
<b>Grade 2</b>	Limited risk exposure – minor observations requiring management attention
<b>Grade 1</b>	Efficiency / housekeeping point

## Recommendations raised in this report

No.	Issue & recommendation	Management comments
1.	<p><b>Financial reporting</b></p> <p>The content of the IJB's financial reporting has developed during 2016/17 and continues to develop. We noted examples within 2016/17 reporting where budget lines showed an underspend for the year to date, but forecast an overspend at year-end with no narrative explanation or context provided.</p> <p>There is a risk that the current form of reporting does not fully reflect the actions undertaken or required in order to achieve the forecast outturn.</p> <p>The IJB should look to continue to develop financial reporting in order to ensure that the Board can easily identify areas of poor performance and fully understand any remedial actions undertaken or required.</p>	<p>Whilst recognising that the financial reporting to the IJB could and should continue to develop this needs to be in line with the IJB's responsibilities and information requirements.</p> <p>When resources have been delegated via directions by the IJB, the City of Edinburgh Council (CEC) and NHS Lothian (NHSL) apply their established systems of financial governance to the delegated functions and resources. Accordingly, budget monitoring of IJB delegated functions is undertaken by finance teams within CEC and NHSL. This arrangement reflects the IJB's role as a strategic planning body which does not directly deliver services, employ staff or hold cash resources. However, it is important that the IJB has oversight of the in year budget position as this highlights any issues that need to be accounted for when planning the future delivery of health and social care services.</p> <p><b>Due Date:</b> March 2018</p> <p><b>Action owner:</b> Chief Finance Officer</p>
	<p><b>Rating</b></p> <p><b>Grade 3</b></p> <p><b>Para 49</b></p>	
No.	Issue & recommendation	Management comments
2.	<p><b>Savings plans</b></p> <p>The IJB's achievement of a breakeven position in 2017/18 is wholly dependent on its ability to work effectively with the council and health board to deliver the required savings.</p> <p>Discussions remain ongoing with NHS Lothian around how the current funding gap of £6.5million will be bridged and there remains a risk that planned efficiencies are not delivered. While responsibility for the actual delivery of the planned savings will fall to the IJB's partners, it is imperative that the IJB can demonstrate it has taken a strategic approach to the identification of appropriate savings options.</p> <p>The IJB should ensure that future financial plans demonstrate sufficient consideration of the identification of potential savings options, including the financial and operational impact they are expected to have in the short, medium and long term. In the short term, the IJB should confirm how the current funding gap of £6.5million will be bridged.</p>	<p>Accepted. However it should be noted that the IJB's ability to confirm how the current NHS Lothian funding gap will be bridged is partly reliant on the overall NHS Lothian financial position.</p> <p><b>Due Date:</b> March 2018</p> <p><b>Action owner:</b> Chief Officer</p>
	<p><b>Rating</b></p> <p><b>Grade 4</b></p> <p><b>Para 67</b></p>	



No.	Issue & recommendation	Management comments
3.	<p><b>Medium term financial planning</b></p> <p>The IJB requested in March 2017 that partners work with the Chief Officer and Interim Chief Finance Officer to prepare a financial plan for IJB delegated functions over a minimum three-year period. The requirement to carry out medium term financial planning is also reflected within the integration scheme. However, medium or long-term financial plans have not yet been developed.</p> <p>Without a medium term financial plan in place, the IJB cannot currently demonstrate how it will deliver the key priorities identified in their three-year strategic plan within the financial resources that will be available.</p> <p>The IJB should prioritise developing a medium term financial strategy that includes a clear understanding of costs, saving options and expected demand pressures.</p>	<p>An initial high-level financial plan will be presented to the IJB in September. This will be refined in the following months.</p> <p><b>Due Date:</b> December 2017</p> <p><b>Action owner:</b> Chief Finance Officer</p>
<b>Rating</b>		
<b>Grade</b> 4		
<b>Para</b>		
71		

No.	Issue & recommendation	Management comments
4.	<p><b>Workforce planning</b></p> <p>The integration scheme requires the IJB to develop an integrated workforce plan for the city.</p> <p>The IJB has not yet developed an integrated workforce plan, and as a result is not meeting the requirements of the integration scheme. Without a documented plan in place, the IJB cannot demonstrate that a strategic overview is being taken over the risks the city faces in relation to workforce supply and demand challenges, communication, staff engagement and training needs to support the implementation of the strategic plan.</p> <p>The IJB should develop an integrated workforce plan for the city.</p>	<p>This is captured in the 2016/17 directions issued to CEC and NHS Lothian. Direction 19 requires:</p> <p><i>"the City of Edinburgh Council and NHS Lothian are directed to work with the Edinburgh Health and Social Care Partnership to:</i></p> <p><i>a. produce and implement a workforce development strategy that supports the delivery of the strategic plan; taking account of the National Health and Social Care Workforce Plan;</i></p> <p><i>b. ensure that any business cases developed in relation to the strategic plan clearly set out any ICT implications."</i></p> <p><b>Due Date:</b> Timescale for production of strategy to be agreed and set out in delivery plan. Performance measure to be agreed in terms of impact.</p> <p><b>Action owner:</b> Chief Nurse</p>
<b>Rating</b>		
<b>Grade</b> 4		
<b>Para</b>		
73		

No.	Issue & recommendation	Management comments
5.	<p><b>Performance management arrangements</b></p>	
Rating	<p><b>a. Performance management framework</b></p>	
Grade 3	<p>The IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan. While the IJB has set out the range of national and local indicators within the strategic plan, it is not clear how each measure relates to the plan's six key priorities. To enable the IJB to report progress against both the national outcomes and its own strategic priorities it should ensure sufficient performance measures are clearly attributed to each strategic priority.</p>	<p><b>5a.</b> The IJB is in the process of establishing a performance framework based on a hierarchy of performance indicators from operational to strategic levels. This will be agreed through the Performance and Quality Sub Group of the IJB.</p>
Para		<p>Due Date: December 2017</p>
126, 133, 143		
	<p><b>b. In-year reporting on performance</b></p>	<p><b>5b.</b> Whilst the IJB has received regular reports on aspects of performance (eg delayed discharges) and a 6 monthly update from the Performance and Quality Sub Group, it is acknowledged that a more comprehensive approach is required. Following the production of the annual performance report for 2016/17 it has been agreed that the IJB will receive a half yearly update on performance in line with the framework outlined above. Any significant concerns about performance will be reported to the IJB by exception.</p>
	<p>There has been limited reporting to the Board on actual performance against the strategic plan to date. Without regular formal reporting of performance against the strategic plan, the IJB may be unable to demonstrate that it is fulfilling its role as strategic planning body. While performance may be assessed and scrutinised in detail by the Performance and Quality Subgroup, we would expect reports to be presented to the IJB at regular intervals through the year. Such reports should enable the IJB to address areas of poor performance in a timely manner.</p>	<p><b>Due Date:</b> First update on performance reported to the IJB in February 2018.</p>
	<p><b>c. Annual performance reporting</b></p>	<p><b>5c.</b> 2016/17 will act as the baseline year for the IJB. Therefore opportunities to demonstrate improvements in performance in a meaningful way were limited to either comparisons with the rest of Scotland or to performance prior to the establishment of the IJB.</p>
	<p>The 2016/17 annual performance report focuses on the nine national outcomes and utilises the national and local indicators to attempt to demonstrate progress to date. While the performance against indicators is reported, success has not been defined for any of the national or local measures. As a result, it is not clear at this stage how the performance information should be interpreted. As part of the continual development of the performance management framework, the IJB should ensure it adequately defines and communicates what it considers would be good performance against each performance measure.</p>	<p>The performance report for 2017/18 will incorporate an assessment of performance against targets set by the Performance and Quality Sub Group of the IJB.</p> <p><b>Due Date:</b> 2017/18 performance report to be published by end of July 2018.</p> <p><b>Action owner:</b> Chief Officer.</p>

# Appendix 2: Respective responsibilities of the IJB and the Auditor

## Responsibility for the preparation of the annual report and accounts

The IJB is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Interim Chief Financial Officer has been designated as that officer by the IJB.

The IJB is also required to:

- manage its affairs to achieve best value in the use of its resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- to approve the Annual Accounts.

The Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Chief Financial Officer is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- complying with the Code;
- keeping proper accounting records which are up to date; and
- taking reasonable steps to ensure the propriety and regularity of the finances of the Integration Joint Board

## Auditor responsibilities

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

We audit the annual report and accounts and give an opinion on whether:

- the financial statements give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its surplus on the provision of services for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code;
- the financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003;
- the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

We are also required to report by exception if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

## Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the annual accounts, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions. As part of our annual audit we consider and report against these four dimensions: financial management; financial sustainability; governance and transparency; and value for money.



**Scott-Moncrieff**  
business advisers and accountants

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